

ARIZONA CORPORATION COMMISSION

UTILITIES DIVISION

REQUEST FOR PROPOSAL

IN THE MATTER OF THE APPLICATION OF UNS Electric, INC. FOR THE
ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES
DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR
VALUE OF THE PROPERTIES OF UNS Electric, INC. DEVOTED TO ITS
OPERATIONS THROUGHOUT THE STATE OF ARIZONA AND REQUEST FOR
APPROVAL OF RELATED FINANCING.
DOCKET NO. E-04204A-06-0783

PROPOSALS TO BE CONSIDERED MUST BE RECEIVED

ON OR BEFORE

FEBRUARY 26, 2007

ISSUE DATE: JANUARY 24, 2007

1. INTRODUCTION

You are invited to submit a proposal in accordance with the specifications contained in this Request for Proposal (“RFP”). Offerors must submit an original and seven (7) hard copies of their proposals on or before 3:00 p.m., February 26, 2007. The successful candidate(s) will serve as consultants to the Arizona Corporation Commission Utilities Division Staff (“Staff”) in the UNS Electric, Inc. (“UNS Electric” or “Company”) general rate application in Docket No. E-04204A-06-0783.

The services of consultants are requested for certain aspects of the rate case.

UNS Electric’ filing and complete direct testimony are available on the Commission’s E-Docket web site found at www.azcc.gov.

2. BACKGROUND

UNS Electric’s current rates became effective pursuant to Decision No. 59951, dated January 1, 1997. At that time the Company was known as Citizens Utilities Company.

In Decision No. 66028 dated July 3, 2003 the Commission authorized UniSource Energy Corporation (“UniSource”) to acquire the electric and gas assets of Citizens Communications Company in Arizona (“Citizens”. Decision No. 66028 approved, as modified, a Settlement Agreement between UniSource, Citizens and Staff. Decision No. 66028 also authorized UniSource to form subsidiaries to own and operate the electric and gas assets (UNS Electric and UNS Gas, Inc. respectively.) As part of the Settlement Agreement approved by Decision No. 66028 UniSource agreed that UNS Electric will forfeit the under-collected balance of Citizens Utilities Company’s Purchase Power and Fuel Adjustor Clause (“PPFAC”) and that a “negative acquisition adjustment” of \$93,624,000 will be credited to UNS Electric’s customers in future rate proceedings.

2.1 DESCRIPTION OF THE COMPANY

UNS Electric is an Arizona utility providing electricity to more than 89,000 customers in 2 of Arizona’s 15 counties. The company has its headquarters in Tucson, AZ and is a subsidiary of UniSource. UniSource is also the parent company of UNS Gas, Inc. and Tucson Electric Power Company.

2.11 RATE APPLICATION

On December 15, 2006, the Company filed a general rate application with the Arizona Corporation Commission (“Commission”) and proposes that the new rates become effective no later than January 1, 2008. The request is for a revenue increase of \$8.5 million, a 5.5 percent increase over the revenues of the Test Year ending June 30, 2006.

The Company is requesting a 9.89 percent over all rate of return. This equates to a 7.84 percent rate of return on its fair value rate base of \$177.8 million. It is requesting a capital structure of 47.8 percent long-term debt with a cost of debt of 8.22 percent, 3.97 percent short-term debt with a cost of debt of 6.36 percent and 48.85 percent equity with a cost of equity of 11.8 percent. The Company represents that these numbers reflect their actual capital structure for the Test Year.

The significant issues identified in the filing by UNS Electric include:

- Significant modifications to the PPFAC. This is especially noteworthy given that UNS Electric purchases all of its power through a contract with Pinnacle West Capital Corporation which is set to expire on May 31, 2008.
- A request for approval of a “revenue neutral post-test year adjustment” to rate base in connection with a 90 MW peaking facility to be built in Mohave County known as the Black Mountain Peaking Facility.
- A request for approval of financing authority necessary to purchase the Black Mountain Peaking Facility.

2.2 ADDITIONAL INFORMATION

Meetings with Commission Staff will be held at 1200 West Washington, Phoenix, Arizona. When necessary, the Consultant(s) is expected to work on-site. UNS Electric maintains its books and records in its principal executive offices at One South Church Avenue, Tucson, AZ.

The Administrative Law Judge has not yet issued a procedural schedule for this case. Staff has estimated the following procedural timing for the UNS Electric rate case. There is no assurance that this timing will not be changed as the case proceeds.

- Staff and Intervenor Direct Testimony due in July 2007.
- UNS Electric Rebuttal Testimony due in July 2007.
- Staff and Intervenor Surrebuttal Testimony due in August 2007.
- Rejoinder Testimony due in August 2007.
- Hearing commencing in late September 2007.

Substantially complete Drafts of consultant testimony must be made available for Staff review two weeks prior to any docketing/filing deadlines.

3.0 STATEMENT OF WORK

Although the major work elements are identified below, other related issues may arise which will need to be addressed. During the course of the case, the Contractor(s) should expect some issues to expand while others diminish. It is possible that the Director of the

Utilities Division may determine that certain portions of the case would be better addressed by internal Staff. The consultant(s) would then need to adjust the work hours and bill accordingly. Staff requests that the consultant(s) maintain a high degree of flexibility as the schedule and priority of work elements may change during the proceedings.

The Contractor(s) will undertake all tasks required to conduct the examination and analysis as indicated in the Major Work Elements specified below and make appropriate recommendations consistent with general accounting and ratemaking principles, A.A.C R14-2-103, previous Commission orders and the Federal Energy Regulatory Commission (“FERC”) Uniform System of Accounts.

3.1 MAJOR WORK ELEMENTS

Proposals are sought for the following Major Work Elements involving the UNS Electric rate case.

- 1) Develop Staff’s recommendation for the revenue requirement for UNS Electric.
- 2) Identify, analyze and audit adjustments to test year data made by the company, determine if appropriate adjustments have been omitted and incorporate the omitted adjustments into recommendations.
- 3) Review and determine the reasonableness of allocations of rate base and operating income components between the Arizona jurisdiction and FERC jurisdiction (wholesale and retail).
- 4) Examine, analyze, review, audit and develop recommendations for test year revenues and expenses including, but not limited to, annualization of customers, purchased power and fuel expense, advertisements, weather normalization, marketing and advertising expenses, salary and wage increases, administrative and general cost allocations and income taxes.
- 5) Calculate a new base cost of fuel and purchased power.
- 6) Review and provide recommendations regarding the appropriateness of the post-test year rate base adjustment associated with the Black Mountain Peaking Facility.
- 7) Review and provide recommendations regarding UNS Electric’s dealings with its parent company, UniSource, and its other affiliates.

- 8) Review, critique and make recommendations regarding UNS Electric's proposed changes to the PPFAC mechanism.
- 9) Review the existing PPFAC mechanism and propose any changes that you believe would improve its performance.
- 10) If revisions to the PPFAC are recommended by Staff (either those proposed by UNS Electric, by Staff or by an intervener), prepare a detailed Plan of Administration that lays out how the revised PPFAC will work.
- 11) Calculate the Reconstruction Cost New Depreciated value for rate base.
- 12) Prepare forecasts of the number of customers and usage as needed.
- 13) Perform a lead-lag study and review and critique the lead-lag study performed by the Company.
- 14) Determine whether the \$93,624,000 negative acquisition adjustment required by Decision No. 66028 is being dealt with appropriately.
- 15) Examine, analyze, review, audit and develop recommendations for the elements of test year rate base including, but not limited to, "used and useful" determinations, additions to rate base since the last rate decision, completed construction not classified, gains on sale of property, working capital allowance, customer advances and deposits and provisions for deferred income taxes and investment tax credits.
- 16) Provide recommendations regarding the appropriateness of UNS Electric's proposed depreciation schedules and provide revised depreciation schedules as necessary.
- 17) Prepare an independent cost of service study.
- 18) Review and rebut UNS Electric's rate case cost of service study
- 19) Determine the most appropriate and economic capital structure to be used for setting rates for UNS Electric.
- 20) Determine the appropriate cost of debt to be used for setting rates for UNS Electric.
- 21) Perform a cost of equity study to estimate the cost of equity of UNS Electric for use in setting rates.

- 22) UNS Electric is proposing to complete the consolidation of the rates of two geographically distant divisions (Mohave and Santa Cruz.) The consultant should review the appropriateness of the proposed consolidation.
- 23) Provide a recommendation on the appropriate Rate Design for UNS Electric. The Rate Design should include both Standard Offer and unbundled rates.
- 24) Review and provide recommendations on UNS Electric's proposed Time of Use rates. (Including a proposal to make Time of Use Rates mandatory for certain customers.)
- 25) Review and provide recommendations on UNS Electric's proposed changes to their miscellaneous service fees.
- 26) Attend meetings in person or via teleconference as requested by Staff.
- 27) Coordinate testimony with Internal Staff and other consultants to insure that all recommendations are consistent among Staff witnesses.
- 28) Attend meetings in person or via teleconference as requested by Staff
- 29) Prepare and submit data requests necessary for the analysis and prepare responses to data requests served on Staff.
- 30) Read and analyze all testimony, schedules and data responses submitted by UNS Electric and all other parties to this docket.
- 31) Prepare expert testimony as required and scheduled by the Procedural Order.
- 32) Rebut the assertions of UNS Electric and interveners with which Staff disagrees.
- 33) Appear and testify at the evidentiary hearing regarding this matter.
- 34) Assist the Commission's Legal Division with the preparation of cross examination questions.
- 35) Assist the Commission's Legal Division with the preparation of the legal brief.
- 36) Review the Proposed Opinion and Order issued by the Commission in this case and evaluate issues for potential exceptions or rehearing.
- 37) If requested, appear at and respond to Commissioners' questions at Open Meeting.

3.2 WORK PRODUCTS

As evidence of completion of the major work elements, the Contractor(s) must provide the following work products:

- 1) Electronic copies of audit guides, testimony and/or workpapers developed in Microsoft Excel or Word format.
- 2) Electronic copies of proposed data requests in Microsoft Excel or Word format.

3.3 ESTIMATED COMPLETION DATES

Preliminary conclusions and recommendations resulting from the Work Elements in Section 3.1 are estimated to be completed by May 30, 2007. The schedule for any remaining work elements has not been finalized. Drafts of testimony for Staff review should be made available two weeks prior to any docketing/filing deadline.

3.4 PROGRESS REPORTS

Throughout all phases of work, the Contractor(s) will be required to submit, on a monthly basis, two (2) copies of a work status report to the Director of the Utilities Division, or the Director's designee, who will assess the report and notify the contractor(s) of any significant problems. The report should contain the following information:

- 1) Comparison of actual or planned progress in carrying out all of the Contractor(s) tasks during the previous month.
- 2) Identification of actual or potential problems in completing the work with an assessment of their probable impacts and any recommended solutions to the problem.

No invoices will be accepted unless these required progress reports have been submitted.

4. CONTRACT MANAGEMENT

The Director of the Utilities Division, or the Director's designee, is responsible for the overall management of this project. Among other things, the Director, or the Director's designee, will be responsible for:

- 1) Overseeing the project operation as it relates to the policy questions.
- 2) Determining any changes in emphasis or end product that may be desired.
- 3) Assessing the progress and problems of the project.

- 4) Reviewing status reports and approving Contractor's proposed plans for action.
- 5) Determining final compliance with terms of the contract.

5. INSTRUCTIONS FOR PREPARING PROPOSALS

5.1 GENERAL INSTRUCTIONS

Offerors should prepare a single proposal package containing two separate sections: a Technical Section and a Cost Section. An original and seven (7) copies of the proposal are to be mailed or delivered to:

Ernest G. Johnson
Director of Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Joint ventures involving several firms will be considered, provided that a prime contractor, who shall be responsible for coordinating the work of subcontractors, is clearly identified. The prime contractor will be responsible for the timely completion of the work performed by subcontractors. The work tasks (and associated budget) to be provided by subcontractors must be clearly defined as part of the proposal.

The cover sheet for the proposal should indicate clearly the consulting firm's name, primary contact telephone number and address¹; the coinciding RFP name, i.e., "In the Matter of the Filing of a General Rate Application by UNS Electric, Inc., Docket No. E-04204A-06-0783". To be considered for the award, all proposals must be received no later than 3:00 p.m., February 26, 2007

Proposals should be prepared simply and economically, providing a straightforward, concise description of Contractor's capabilities to satisfy the requirements of the RFP. Emphasis should be on completeness and clarity of content. Proposals will be opened publicly on February 26, 2007 at 3:00 p.m. at the Arizona Corporation Commission Offices, 1200 West Washington (Room 202), Phoenix, Arizona 85007. Previously submitted offers may not be withdrawn after that time.

¹ The listed telephone number and address location will be considered the primary means of contact for any and all members of the Prime Contractor's team for billing purposes. Any costs associated with the use of multiple office locations on the part of the Prime Contractor and the Prime Contractor's team (including sub-contractors) in conducting this project shall be assumed by (i.e. the sole responsibility) Prime Contractor, these costs include but are not limited to the actual costs of using 1) facsimiles, 2) electronic or parcel mailings, or 3) telephonic equipment (such as long distance calling or conference calling lines) as forms of communications among the Prime Contractor's team members and /or offices.

After contract award, the proposals shall be open for public inspection except to the extent that the withholding of information is permitted or required by law. Additionally, work performed under contract will become a matter of public record unless determined confidential.

Contractors are required to retain all records relating to this contract for five years after the contract's completion.

5.2 TECHNICAL SECTION FORMAT

The Technical Section should be submitted as a separate part of the total response to this RFP. The proposal format should be the same as the format below and all information requested must be presented.

PART I. Business Organization. State the full name and address of your organization and, if applicable, the branch office or other subordinate element that will perform or assist in performing the work. For any subcontractors included in your proposal, indicate whether they operate as an individual, partnership or corporation; if as a corporation, include the state in which they are incorporated. State whether they are licensed to operate in the state of Arizona.

PART II. Project Summary. Present your understanding of the project requirements, its goals and objectives, and a summary of the problems which must be addressed and solved to successfully fulfill the requirements. Include a brief narrative description of your proposed effort and of the products that will be delivered.

PART III. Work Plan. Describe your plan for accomplishing the work. Indicate the number of person-hours you have allocated to each task. Include a time-related display showing each task, event and decision point in your plan.

PART IV. Management Summary. Provide an overview explanation and chart showing project leadership and supervision, reporting responsibilities, and Contractor (and Subcontractor, if appropriate) team interfaces. Identify individuals by name and title. Indicate the procedures you will use for scheduling and controlling the work to be performed. Indicate the person, or persons, responsible for each phase of the work, and indicate the person with ultimate responsibility for completion of the project.

PART V. Prior Experience. Provide a brief description of recent assignments that would qualify your firm to undertake the proposed work. Include the project title and completion date related to each assignment. Also include the names of each assignment's project manager and other key participants. Provide a specific reference including name, title, and organization, address and telephone number for each assignment given.

PART VI. Personnel. Include the number of executive and professional personnel by skill and qualification. Show where these personnel will be stationed during the time they are engaged in the work. Show the inclusive periods, total number of hours, and percent of time that each individual will devote to this project. Identify each individual by name and title. Provide resumes of all executive or professional personnel. Indicate by name and title who prepared the proposal and how the individual will participate in the project. Specify personnel who will testify in the hearing and identify their previous experience in providing testimony.

PART VII. Relationships with Arizona Utilities. List all Arizona public utilities or public utility affiliates for which your firm or any members of your professional staff proposed for the project, has worked in a professional capacity during the past three years. For each firm listed, briefly describe the nature of the professional relationship and the impact of this relationship upon your firm's ability to serve the Commission in an independent capacity. Describe any other legal, professional, or financial relationships between Arizona public utilities and any key members.

PART VIII. Authorized Negotiators. Include the name, address and telephone numbers of person(s) in your organization authorized to negotiate the proposed contract.

5.3 COST SECTION FORMAT

The Cost Section should be submitted as a separate part of the total response to this RFP. The format should be the same as below and all information requested must be present.

The information requested in this section is required to support the reasonableness of your quotation. Your established method of costing may be used and described.

1. Labor Costs – Itemize so as to show the following for each category of personnel with a different rate per hour:
 - a. Category: e.g., Project Manager, Senior Analyst, etc.;
 - b. Project work station location;
 - c. Estimated hours;
 - d. Rate per hour; and
 - e. Total cost for each category and for all direct labor proposed.
2. Cost of Supplies – Itemize these costs.
3. Other Direct Costs – Itemize these costs.
4. Transportation and Subsistence Costs – Show travel cost and per diem separately.

5. Total Price Bid Project – By separate explanation, segregate the labor costs between direct labor costs, indirect or overhead costs, and fixed fee or profit.

6. PROPOSAL EVALUATION CRITERIA

The contract will be awarded to the offeror whose proposal is determined to be most advantageous to the state based on the factors set forth in this Request for Proposal. The successful offeror will be chosen based on several factors and not on cost alone. In addition, the Commission reserves the right to award less than the entire work project described in Section 3 to any one contractor and to direct the retention of a subcontractor or subcontractors approved by the Commission. Offerors who submit a proposal may be required to make an oral presentation of their proposals to the Commission Staff. These presentations may be conducted with responsible offerors who submit proposals that are reasonably susceptible to being selected for award for the purpose of clarification to assure full understanding of, and responsiveness to, the requirements of this RFP. In the course of these presentations, there shall be no disclosure of any information derived from proposals submitted by competing offerors. The Commission Staff also reserves the right to conduct a Best and Final Offer process.

The following is a list of the factors in descending order of relative importance that specifically will be considered in evaluating the proposals received.

6.1 EVALUATION FACTORS

- 6.1.1 Demonstrated Understanding of the Project.** A determination will be made of the bidder's clear understanding of the project. Specifically, points will be accrued for the bidder's demonstrated understanding of the public utility regulatory issues on a national scope; understanding of the treatment of issues under the state of Arizona's regulatory law; reference to case-specific issues as identified by bidder and understanding of the impact of these issues upon the consumers of Arizona.
- 6.1.2 Technical Credibility.** An evaluation will be made of the soundness of the proposal as it relates to the technical details of the project in order to attain the requirements described in the RFP, including a proposed work plan and management plan. Attention will be given to the distribution of person-hours by task for each contractor team member; the percentage of each team member's time devoted to this project; the chart highlighting relevant deadlines by task; and the clear identification of proposed witnesses and individuals assigned to participate in the hearing.
- 6.1.3 Qualifications of the Firm.** The proposal will be reviewed with careful attention to the bidder's prior work experience in the areas described in Section 3.

6.1.4 Qualifications of On-Site Contractor Team. The proposal will also be reviewed with regard to the commitment of specific personnel to the project and their experience in the areas described in the Statement of Work as described in Section 3 of the RFP.

6.1.5 Costs. An evaluation of the reasonableness of the proposed cost in light of the project scope will be made.

6.2 TERMS AND CONDITIONS OF THE AWARD

The Contract referred to in this, and in subsequent sections, is the contract or agreement between the State and the successful bidder. The Commission contemplates that a fixed price reimbursement type contract will be awarded. Reimbursement will be made for authorized travel and subsistence expenses only upon submission and approval of receipts and required back-up information as indicated in this RFP and in the procedures set forth by the Business Office of the Commission.²

Payments will be made upon submission of an approved original invoice and two (2) legible copies. Each invoice will clearly show: the Contractor's name and address; amount of the bill; the Commission contract billing number and date; the hours and rates per individual designating dates, time and hours worked, and distinguishing charged hours from non-charged hours; and the percentage of work completed. Invoices which carry requests for reimbursement of travel and subsistence must be exact and must be accompanied by all required backup information with one (1) copy of appropriate legible receipts for each reimbursement. All invoices will be reviewed and must be approved by the State prior to payment.

Payments for invoices covering work on contract deliverables may be withheld pending delivery and acceptance of such deliverable items. The Commission reserves the right to withhold a percentage not greater than 15 percent of each payment until all the work defined in the contract is completed to the satisfaction of the Commission. No invoices will be accepted unless the required detailed progress reports have been submitted.

6.3 REGULATIONS FOR THE REIMBURSEMENT OF EXPENSES

In order for reimbursement to occur, regulations must be adhered to, in detail, as described in this RFP and as set forth by the Business Office of the Commission.

² The listed telephone number and address on the cover sheet, as described in General Instruction, Section 5.1, will be considered the primary means of contact for any and all members of the Prime Contractor's team for billing purposes. Any costs associated with the use of multiple office locations on the part of the Prime Contractor and the Prime Contractor's team (including sub-contractors) in conducting this project shall be assumed by (i.e. the sole responsibility) Prime Contractor, these costs include but are not limited to the actual costs of using 1) facsimiles, 2) electronic or parcel mailings, or 3) telephonic equipment (such as long distance calling or conference calling lines) as forms of communications among the Prime Contractor's team members and /or offices.

- 6.3.1 General Regulations.** All receipts must be legible and accurate to the penny in order for reimbursement to occur. If an invoice is returned for a correction, all copies must be revised and resubmitted. Invoices must be submitted on a timely basis. The Commission should not receive requests for reimbursement several months after the expenses were accrued.
- 6.3.2 Prohibitions.** Bankcards without receipts, travel agency receipts and/or invoices are not acceptable. No reimbursement shall be made for lodging or meals within the county of the state agent's headquarters, or within thirty (30) miles of the state agent's residence. No reimbursement requests for person-hour charges and expenses should be submitted simultaneously as each should be invoiced separately.
- 6.3.3 Expense Reimbursement.** Expenses should be recorded daily as they occur, with identification numbers assigned to each expense charge and corresponding receipt. All receipts must be dated. Receipts should be attached in order of appearance on the Commission standardized expense reporting form and assigned reference numbers to each receipt for easy identification. Please include adding machine tapes along with expense invoices to clarify totals charged.
- 6.3.4 Transportation Expense, Airfare.** The State will only reimburse for coach passenger fare. If you are forced to travel First Class in order to meet a deadline, you must include an explanation in order to receive payment. The actual airplane ticket (or a copy) must be attached. The Commission will not accept travel agency invoices or credit card receipts as proof for payment. Travel times must be clearly indicated.

Mileage. Indicate origin, destination, any intermediate destination including corresponding mileage, as well as the purpose of the trip, and record the mileage in the appropriate space provided. This is the only expense for which reimbursement can occur without a receipt. Always record travel times. Mileage charge must be at precisely the current rate per mile, which will be designated in the contract; and will be based upon the most direct road routes available, from the departure point to the point of destination.

Names of all employees traveling in the automobile must be clearly stated.

Taxi Fare and Limousine Service. Indicate origin and destination of trip and attach receipt from taxicab driver.

Parking. Record in the appropriate blank on the standardized expenses report form and attach receipt.

Car Rental. You must include a legible receipt and explain the necessity for this expense.

Miscellaneous. Legible receipts must be submitted for any miscellaneous travel expenses such as tolls, bus rides, etc.

- 6.3.5** Meals and Lodging. You will need to identify individuals included in each receipt in the appropriate blank on the Commission standardized expense reporting form and record dollar amount for each daily meal charged. Include meals eaten at your place of lodging in this section, even though the amount appears as part of the hotel receipt. Legible receipts must be included for any meal, and do remember that the State of Arizona's reimbursement cannot include charges for entertainment or alcoholic beverages. As previously stated, the Commission cannot reimburse for expenses documented only by a credit card receipt.

If you accrue lodging expenses in any cities other than Phoenix, Arizona or neighboring communities, explain the purpose of the trip to that city. Attach a copy of the actual hotel bill to the invoice. The Commission will not reimburse for hotel accommodations documented by a credit card receipt. Legible receipts are required. When overnight travel is necessary and more than one staff member is traveling to the same destination, you are encouraged to share accommodations whenever possible.

- 6.3.6** Telephone Charges. The simplest method of documenting telephone charges is to attach a copy of your monthly bill from the telephone company and highlight those calls for which you wish to be reimbursed. Identify parties called for all telephone numbers other than the State of Arizona exchange (602). Include in this reporting procedure telephone calls which originated from your place of lodging even though the amount appears as part of the hotel receipt.

- 6.3.7** General Expenses, Shipping. Itemize and attach appropriate receipts. Contractor shall pay all costs associated with interpersonal communications such as phone calls, mail, and/or shipping between one contractor office and another. Commission shall pay only all costs associated with direct communication and shipping between Contractor and Commission.

Duplicating. Indicate number of pages and rate per page (e.g., 1,000 copies @ 10 cents/page = \$100) on expense reporting form. Charge must not exceed 10 cents per copy. Identify the substance in the appropriate blank of the standardized expense reporting form (testimony, draft testimony, other, etc.)

Materials and Supplies. If the materials and supplies originate from your own stock and no receipt is available, you must state this on the Commission form and identify those materials and supplies for which you wish to be reimbursed. If a receipt is available, it should be attached to the invoice.

Computer Time. Attach all invoices from external computer firms, or if the computer belongs to your firm, include whatever back-up information you may have to document the use of the computer and indicate the reason for its use.

6.4 GENERAL CONDITIONS

6.4.1 Cancellation of Contract. If, through any cause, the Contractor shall fail to fulfill, in a timely manner, his/her obligations under this Contract, the Commission shall thereupon have the right to terminate this Contract by giving written notice to the Contractor of such termination and specifying the effective date thereon. In the event of termination, all properties, finished or unfinished documents, data, studies, and reports purchased or prepared by the Contractor under this Contract shall, at the option of the Commission, become the property of the Commission, and the Contractor shall be entitled to compensation for any unreimbursed expenses necessarily incurred in satisfactory performance of the Contract. Notwithstanding the above, the Contractor shall not be relieved of liability to the Commission by virtue of any breach of the Contract by the Contractor, and the Commission may withhold any reimbursement to the Contractor for the purpose of the set off, until such time as the exact amount of damages due the Commission from the Contractor is agreed upon or otherwise determined.

6.4.2 Changes. The Commission may, from time-to-time, require changes in the services of the Contractor to be performed hereunder. Such changes, including any increase or decrease in the amount of the Contractor's compensation which are mutually agreed upon by the Commission and the Contractor, must be incorporated in written amendments to this Contract.

6.4.3 Conflict of Interest. No officer, employee, or member of the Contractor's governing body, and no other public official of the governing body of the locality, or localities in which the project is situated or being carried out, who exercises any functions or responsibilities in the review and approval of the undertaking or carrying out of this project, shall participate in any decision relating to this Contract which affects the Contractor's personal interest, or have any personal or pecuniary interest, direct or indirect, in this Contract or the proceeds thereof.

Contractor agrees that he/she presently has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of services required to be performed under this Contract. The Contractor further covenants that, in the performance of this Contract, Contractor shall not employ any person having any such interest.

The Commission reserves the right to establish the specific conflict of interest requirements which will govern any contract resulting from this RFP.

6.4.4 Copyright Prohibited. No reports, maps, any other documents or materials produced in whole (or in part) under, or as a result of, this Contract shall be the subject of an application for copyright by or on behalf of the Contractor.

6.4.5 Contractor Conditions. Contractor shall make prompt payment, as due, to all persons supplying to said Contractor labor or material for the performance of the work provided for in this agreement. Contractor shall pay all contributions, or amounts, due the Industrial Accident Fund from such Contractor and/or Subcontractor incurred in the performance of the Contract. Contract shall not permit any lien, or claim, to be filed or prosecuted against the State on account of any labor or material furnished. The Contractor is required to hold and maintain all licenses and permits required for the operation of the business conducted by the Contractor as applicable to the contract.

6.4.6 Payment of Claims. If the Contractor fails, neglects, or refuses to make prompt payment of any claim for labor services furnished to the contractor or a subcontractor by any person in connection with this agreement as such claim becomes due, the proper officer(s) representing the Commission, or State of Arizona, may pay such claim to the person furnishing the labor or services and charge the amount of the payment against funds due, or to become due, the Contractor by reason of agreement.

The payment of a claim in the manner authorized in this section does not relieve the Contractor or his/her surety from his/her or its obligation with respect to unpaid claims.

6.4.7 Contract Terms. When a contract is awarded, the RFP will be incorporated into the contract, and the contract will include the following provisions. First, the laws of the State of Arizona shall govern the construction and interpretation of this Agreement.

Second, all parties are hereby put on notice that this Agreement is subject to cancellation.

Third, Contractor and Commission recognize that, in actual economic practice, overcharges resulting from anti-trust violations are, in fact, borne by the Purchaser. Therefore, Contractor hereby assigns to Commission any and all claims for such overcharges.

Fourth, each payment obligation of the Commission created hereby is conditioned upon the availability of State or Federal funds which are appropriated, or allocated, for the payment of such obligation. If funds are not allocated and available for the continuance of the function performed by any equipment, material or service, the contract period for any machine, material or service directly, or indirectly, involved in the performance of that function, may be terminated by the Commission at the end of the period for which the funds are available. The Commission shall notify the Contractor at the earliest possible time which machine, material or service will, or may be, affected by a shortage of funds. No penalty shall accrue to the Commission in the event this provision is exercised, and the Commission shall not be obligated or liable for any future payments

due or for any damages as a result of termination under this Section. This provision shall not be construed so as to permit the Commission to terminate this Agreement of any machine, material or service listed on any schedule herein under in order to acquire similar equipment or service from another Contractor.

Fifth, the Commission explicitly reserves the right to terminate the contract resulting from this RFP upon five (5) days notice to the Contractor in the event a determination is made that the investigation contemplated in this proceeding is no longer necessary.

Sixth, no right or interest in the contract may be assigned without the written permission of the Director of Utilities or the Director's designee.

Finally, the parties agree to resolve disputes arising out of this Agreement pursuant to Arizona law.

6.4.8 Indemnification and insurance. Contractor agrees to defend, indemnify and save harmless the Arizona Corporation Commission and its divisions and all officers, agents and employees thereof (hereinafter "indemnities"), each severally and separately, against all liabilities, demands, claims, damages, losses, costs and expense of whatsoever kind or nature including, without limitation, any and all direct and indirect costs of defense made against, incurred or suffered by any such indemnities as a direct or indirect consequence of injury, sickness or disease including death to persons, injury to or destruction of property including without limitation the loss of use of property or any other cause of action whatsoever arising out of, or resulting from, or which would have not occurred or existed but for this Contract.

Contractor, performing as an independent Contractor hereunder, shall be fully responsible for all tax obligations, Workmen's Compensation insurance, and all other applicable insurance coverage, for itself and its employees, and the Commission shall have no responsibility or liability for any such taxes or insurance coverage.

6.5 FILING OF A PROTEST

Any interested party may protest the award of a contract pursuant to the RFP. The protest shall include the following information:

1. The name, address, and telephone number of the protestor;
2. The signature of the protestor or its representative;
3. A detailed statement of the legal and factual grounds for the protest including copies of relevant documents; and
4. The form of relief requested.